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TAGS: [PREL](#) [PGOV](#) [PTER](#) [MARR](#) [MASS](#) [SNAR](#) [PA](#)
SUBJECT: PARAGUAY: SCENESETTER FOR GENERAL BANTZ CRADDOCK

Classified By: PolOff Sterling Tilley, reasons 1.4 (b) and (d)

¶1. (C) General Craddock, Embassy Asuncion warmly welcomes your visit as an opportunity to promote U.S. interests in military, counter-narcotics and counter-terrorism cooperation with Paraguay. You come at a particularly sensitive time as we prepare to submit a new request to the GOP to establish diplomatic protections to our soldiers participating in military exercises. To date, the open and permissive environment for exercises and other military activities here has proven extremely valuable but also potentially vulnerable to local and regional pressures. Paraguay's Congress came under fire by opponents to our exercises from both within Paraguay and neighboring states after extended protections and approved exercises stretching from July 2005-December ¶2006.

¶2. (SBU) Delays in the promotion of senior police and military officials prompted the military to issue a declaration viewed as threatening by many within opposition circles. The opposition has called for the removal and/or resignation of those responsible for the statement including the Commander of the Armed Forces, General Kanazawa. To date, the president has removed the three service chiefs, but has not yet decided to remove Gen. Kanazawa.

¶3. (SBU) The August 2005 SECDEF visit generated considerable press and political activity calling into question important security-related aspects of our relationship with Paraguay. False allegations of plans to build a U.S. military base in Paraguay and the immunities extended to U.S. military personnel who participate in joint exercises here were the main focus. Allegations of U.S. desire to use presence in Paraguay to pressure Bolivia persist. Press interest in your visit likely will be high, especially, given the presence of US troops participating in the FC 06 exercise.

¶4. (SBU) What follows is an overview of the current situation in Paraguay, highlighting key issues, suggested topics, and talking points for your scheduled meetings and press event.

Your Program in Asuncion

¶5. (U) We are glad to have this opportunity to host your visit to Paraguay. You will meet with the Ambassador first, followed by the Country Team's brief on the overall situation

in Paraguay and more detailed discussions on CT. We will arrange for you to visit both the Minister of Defense, Dr. Roberto Gonzalez Segovia, and the Commander of Armed Forces, GEN Jose Key Kanazawa Gamarra, and his service chiefs. We understand that you met CHOD GEN Kanazawa in Buenos Aires in 2005 during the Southern Cone Defense Conference and in Montevideo this past May. This meeting should afford you a good opportunity to further your relationship with him and press him on key issues. Also, we are exploring meetings with Vice President Castiglioni and Foreign Minister Rachid as well as a meeting/lunch and/or reception with Congressional leaders, including members of the Defense Committees. Castiglioni visited the Pentagon during his trip to Washington and has proven to be a dependable ally, especially on security matters. Your meetings with him and other Paraguayan officials afford the opportunity to strengthen existing rapport, and to discuss ways to advance U.S. bilateral security cooperation, speaking directly to the benefits derived from military exercises and other programs. We understand an ASPA/IMET waiver for Paraguay is under consideration. Any progress on this would be welcome news. We are also making arrangements for you to visit Ciudad del Este.

The Political Scene: President Duarte's Efforts Under Fire

¶6. (C) Your visit comes almost three years into the presidency of Nicanor Duarte Frutos. In that time, Duarte has taken steps to deal with a pressing fiscal crisis, reviving the economy, and fighting corruption. In the last year, however, political support for Duarte has sagged with polls indicating the general population is not satisfied his government has taken adequate measures to create jobs, improve the economy and tackle corruption. As part of a pact to gain control of the Congress with the support of dissident Congressmen from opposition parties, Duarte's party, the Colorados, supported election of a member of the socialist "Country in Solidarity" Party Senator (Carlos Fillizola) to be President of the Congress. Fillizola is a strong supporter of the ICC, opposes U.S. military exercises, and has called actions in Afghanistan and Iraq "Genocide." However, his tenure as President is coming to an end on June 30. Opposition Congressmen protesting President Duarte's perceived heavy-handed efforts to consolidate power within the Colorado Party and vye for re-election have brought movement on key legislation to a standstill.

Paraguay's Public Security Challenges

¶7. (U) Members of the Free Fatherland Party (PPL), a far-left political movement based in the countryside, kidnapped and subsequently murdered the daughter of a former president, Cecilia Cubas, whose body was discovered in February 2005. Several members of the group have been indicted in the Cubas killing, and Paraguay is seeking the expulsion of others implicated who took refuge in Argentina and Bolivia. Evidence ties the PPL to the Revolutionary Armed Forces of Colombia (FARC). The Cubas kidnapping has proven only the first in a series of recent events that suggest the emergence of an political movement bent on provoking instability through violence. A culture of distrust allowing for little inter-institutional cooperation hampers the ability of Paraguay's law enforcement community and military to tackle rising concerns about public security; Paraguay's National Police are widely disparaged by the general population as incompetent and corrupt, and the police and military are rivals, not partners. The Cubas killing and clear evidence of FARC involvement shocked Paraguay's leaders and population. Increased cooperation with Colombia and the U.S. and the realization of the need for better intelligence and other security measures were one positive result. Meanwhile, though, leaders including MOD Gonzelez and Armed Forces Commander Kanazawa attribute recent violence in Paraguay's interior, including the destruction of a police

outpost, to common criminals rather than politically motivated insurgents. We are told this is the party-line directed by the President.

Reforming the Economy, But Growth Insufficient

¶18. (U) Paraguay's economy relies heavily on agriculture. It features bloated but weak state institutions and the heavy involvement of state-owned enterprises. There is considerable activity involving the trading of imported legitimate goods, contraband and counterfeit products, most of which are destined for Brazil or Argentina. The Duarte government took office in 2003 on the heels of Paraguay's worst recession in years promising to attack widespread corruption and reform the economy. He named a non-partisan, technocratic economic cabinet and has supported their efforts. On a macroeconomic level, Paraguay's performance has been strong: economic growth reached 2.9 and 3.0 percent in 2004 and 2005, respectively, and inflation was held down to near 3 percent in 2004 though it reached 9.9 percent in ¶2005. However, whereas the government succeeded early on in getting some significant economic reform laws through Congress, progress over the last year has been slow. For Paraguay to escape from the poverty affecting roughly half of its population, the country needs to increase productivity by attracting capital and raising annual growth rates closer to 5 or 6 percent. Success will require the government to stay the course on macroeconomic stability and undertake deeper structural reforms.

International Crime and Counter Terrorism

¶19. (U) The Tri-Border Area (TBA), the region of Paraguay that meets Brazil and Argentina, near the city of Ciudad del Este, is a primary USG concern. The area is notorious for drug and other smuggling, including trafficking in persons, intellectual piracy, document forgery, counterfeit cigarette manufacturing and loose border controls, especially at the Friendship Bridge connecting Paraguay with Brazil.

¶10. (U) Paraguay cooperates unevenly with us in addressing the problems of greatest U.S. concern, including terrorist fund-raising by Hezbollah. Paraguay took the lead in establishing a 4 nation coordination group known as the "3 plus 1" (Argentina, Brazil, Paraguay and the U.S.). Also despite the lack of specific anti-terrorist statutes, Paraguay has actively prosecuted known terrorist fund-raisers on tax evasion charges. FARC involvement with the Cubas kidnapping and links to the local violent leftist Free Fatherland party has heightened Paraguayan concerns about terrorism. President Duarte noted the threats from international crime, including terrorist fund raising, in his July 2005 State of the Nation address. Powerful politicians however, work behind the scene to foil prosecution of individuals implicated in significant illicit activities, including money laundering and terrorist financing and oppose legislation to enhance Paraguay's ability to investigate and prosecute these individuals.

¶11. (C) Despite preoccupation with close-to-home terrorism issues including kidnappings, local violent radicals, the FARC, and fund raising for Hezbollah, Paraguay is reluctant to take a lead in the war on terrorism beyond its borders. This is due to pressure from Brazil as well as domestic concerns that an aggressive anti-terrorism policy (e.g., vis a vis the Middle East) will draw terrorist reprisals. In addition, memories of abuses under the Stroessner dictatorship remain a factor. In 2004, President Duarte received JCS Chairman General Myers but then made a public show of announcing that Paraguay would not send a contingent to Iraq despite having volunteered to do so to President Bush a year earlier. Given recent false allegations the U.S. wants to establish a military base in Paraguay to combat terrorism in the TBA, we recommend tailoring public remarks

about Paraguay's role in the GWOT in a way that will not lend fuel to these false claims.

¶12. (SBU) Paraguay is a significant transit point for the transportation of cocaine and other narcotics by air from Colombia to Brazil. Much of the northwestern part of the country is barren and uninhabited, and the GOP has difficulties in enforcing the law due to geography and the political power some drug traffickers wield. SENAD, the National Anti-Narcotics Secretariat, coordinates GOP interdiction efforts, with significant assistance from the DEA and training support from US Special Forces JCETS. In November 2004, Paraguay and Brazil collaborated in a joint operation, with DEA assistance that produced an historic seizure of over 260 kilograms of cocaine and the arrest of notorious Brazilian drug trafficker Ivan Carlos Mendes Mesquita, wanted in the U.S. on drug trafficking charges. Paraguay cooperated with the USG extradition request and Mendes Mesquita was taken into U.S. custody in June 2005, a dramatic and unprecedented step. Post considers this case emblematic of the success we have been able to achieve by working with the SENAD as an autonomous unit. Paraguay has no radar coverage throughout the entire country and it is not unlikely that some interlocutors will request U.S. assistance in this area. We are looking into this possibility in the context of JIATF South's "Southern Light".

U.S. Interests in Paraguay

¶13. (SBU) U.S. interests in Paraguay are focused on strengthening democratic institutions, promoting sound economic policies and good governance, disrupting criminal organizations, and combating terrorist financing. Post maintains bilateral assistance programs dealing with combating narcotics trafficking, money laundering, intellectual property violations, and trafficking in persons.

Post has a Department of Treasury Resident Enforcement Advisor who has worked quietly behind the scenes over the last three years to assist the Paraguayan Government in developing appropriate money laundering and counter terror legislation. In the wake of the Cubas kidnapping, Vice President Castiglioni traveled to the U.S. last year for meetings with VP Cheney, SECDEF Rumsfeld, and other key officials to discuss a comprehensive approach to Paraguay's security challenges, including a high-level seminar sponsored by the Center for Hemispheric Defense Studies (CHDS) that was held last September. USAID and the Peace Corps also have programs in the country. Paraguay has been named a threshold country for Millennium Challenge Account funding; its poor historical record on corruption was the major reason it did not qualify for full participation in the program. They received an allotment of USD 35 million for the program focused on combating impunity and informality.

¶14. (SBU) The political situation in Bolivia and the election of Evo Morales as President is on the political radar screen in Paraguay but not in an alarmist way. Some commentators have conveyed concern that instability in Bolivia could lend itself to a higher flow of drugs or other illicit activity from that country. Some Paraguayan military officials have conveyed to me a concern about lingering irredentist claims within some segments of the Bolivian military to territory in the Chaco -- a vast region in Western Paraguay that borders Bolivia and served as the site of a war with Paraguay in the 1930s -- that could stir controversy and tension should Bolivia suffer an extended period of instability. Reported recent discoveries of potential commercially significant natural gas resources near the Bolivian border could add fuel to such concerns. Lastly, Brazil and Paraguay rely on Bolivian infrastructure for land traffic extending to the Pacific coast that could be jeopardized in the event of instability in Bolivia. Recently, some Bolivian commentators, including political officials, have signaled concern that the U.S. sought to establish a military base in the Chaco for the purpose of monitoring activities in Bolivia or attempting to control energy resources in the Bolivian and

Paraguayan Chaco region. All things considered, however, Bolivia does not figure large in Paraguay's foreign relations -- nor vice versa -- and most Paraguayan decision makers devote fleeting attention to developments in Bolivia.

The Military's Mission

¶15. (SBU) Paraguay's military is a small force struggling to redefine its mission while it endures insufficient funding, scandals, and frequent and questionable leadership appointments. The Army is the largest of the three services (9,000), followed by the Navy (2,000) and Air Force (1,200). The military's primary mission is to protect Paraguay's territorial integrity, defend the legitimate authorities in accordance with the Constitution, and cooperate in civil defense. The Navy has a law enforcement mission on Paraguay's rivers. It does not have a lead role in counter drug operations; however, the military provides a specialized tactical unit to support SENAD, which works with the DEA. The military's Special Forces unit is in the process of organizing a company-size counterterrorism unit, and the Presidential Guard Unit has a specialized counterterrorist platoon. More recently, Paraguay has attempted to increase its presence in peacekeeping operations. It continues to seek support to deploy a contingent to Haiti.

¶16. (U) Military infrastructure and equipment is old, obsolete and in desperate need of repair/replacement. Paraguay's defense budget for 2005 is USD 78.5M, an USD 19.5M increase over 2005. Ninety percent of the budget is used to pay salaries and 5 percent is used for sustaining conscripts, leaving only 5 percent for operations, maintenance and training. Budget problems are not expected to go away in the near future due to lack of strong support in congress, public doubts about the military's mission and lingering memories of Paraguay's 35-year dictatorship.

¶17. (U) Despite these challenges, the military has remained subordinate to civilian authority and has remained in their barracks. When called, it has supported law enforcement activities, public health campaigns and provided transportation assistance for farmers to bring their products to market. The military is still seen as the first to be called whenever there is a "crisis," and many Paraguayans feel "safer" when the military is out on the streets with the police. Society retains a sense of pride in Paraguay's martial history, including both the tragic war of the Triple Alliance and the victory over Bolivia in the Chaco war. The Presidential Escort Regiment with its own armor, artillery and other combat material, and better trained troops, is the only capable unit in the country. However, it acts independently of the Military Forces given its direct mission to protect the president. The new commandant of the Presidential Guard is Lt. Col. Jose Casaccia who has received US training and is interested in increasing interaction with the US.

Strong Record of Military Cooperation

¶18. (U) Post's Office of Defense Cooperation (ODC) has developed a robust JCET/CNT program, second to only that of Colombia in the region. The Counter Terrorism Fellowship Program contributing significantly toward establishment of host nation CT capability, including designation and creation of a Paraguayan Tier 1 unit. Funding from the Enhanced International Peacekeeping Cooperation (EIPC) program has facilitated the training of over 700 observers and peacekeepers and the deployment of approximately 252 Paraguayans in support of peacekeeping operations in this hemisphere and Africa. Currently, 61 Paraguayans are deployed in support of peacekeeping operations. Separately, ODC has also launched an outreach program, leveraging the State Partnership Program, designed to encourage the military to build institutional links with legislators in part through visits by Paraguayan Congressmen as well as Flag officers

from the Joint Staff and Ministry of Defense with their counterparts in the U.S. The partnership with the Massachusetts National Guard is robust; the MANG designation of a full time TCA/SPP coordinator from MANG has greatly enhanced this build up. These visits have generated greater appreciation for the value of military cooperation and helped solidify support in Congress for approval of protections and authorizations for U.S. participants in the exercises. MEDRETES and other humanitarian deployments in poor areas over the years have made a significant impact on politicians and the general public. In 2005, one legislator answered critics of military exercises by citing the poor who can see, hear, or are still alive thanks to U.S. medical assistance.

¶19. (U) Recently, however, the opposition to the exercises has re-emerged. On May 3, members of the Beloved Fatherland Party (PPQ) signed a resolution calling for suspension of Paraguay's participation in the US military exercises and rejecting a new series of exercises, complaining about the protections the GOP had extended to US participants which they maintain contravened Paraguay's obligations under the Rome Treaty. On May 16, members of the lower congressional House Defense Commission voted down this resolution. In statements to the press, members of the Defense Commission noted that Paraguay is receiving benefits from the exercises that they would like to continue, especially the medical assistance (MEDRETE) exercises. The PPQ's resolution remains under review by the Commissions of Constitutional Affairs and International Relations in the House of Deputies.

Flap Over Immunities and MLEs

¶20. (SBU) We do not have an Article 98 agreement with Paraguay. After entertaining talks over two years aimed at securing an agreement that would protect U.S. citizens, Paraguay recently informed us that it had concluded it would not be able to enter into an agreement on this issue extending beyond our current extradition treaty.

¶21. (U) In the absence of an unlimited SOFA, the U.S. has gained protections for U.S. participants for a diverse range of U.S.-Paraguay joint military exercises for defined periods of time, most recently gaining Congressional approval of immunities for exercises scheduled from July 2005 through December 2006. In June 2005, an article appeared in an Argentine newspaper criticizing the Paraguayan Senate's decision to extend the immunities for these exercises and suggesting these exercises were a harbinger to creation of a U.S. base in Paraguay. FM Rachid and MOD Gonzalez defended the decision, qualifying it as consistent with GOP treatment of cooperation agreements with other countries and with Paraguay's commitments under the Rome Treaty. In late June 2005, the Senate granted the U.S. participants permission to enter for these exercises over the next 18 months.

¶22. (S/NF) A March 2006 New York Times article discussed the controversy surrounding the MLE program and touched upon an incident involving military representatives in Paraguay who departed the country after disarming and shooting an assailant in a foiled robbery attempt. The article claimed the Paraguayan assailant had been killed. Paraguay's Ambassador to the U.S. met recently to discuss this matter with Department officials. We assured him there are currently no MLEs in country and that the COM would be informed of future developments.

The Impact of Your Visit

¶23. (U) Press interest in your visit will be high, although not exceedingly so as members of the Paraguayan press are accustomed to visits by SOUTHCOM chiefs. The Paraguayan journalists are generally friendly people. Even if you have no time, it is better to stop and answer one question than to refuse questions. If you refuse, then it becomes a case of

offended reporters claiming "secret meetings." It is also advisable to plan in advance with your meeting host what you will say to the press after the meeting and to stick to answering questions on topics that you are comfortable with. If something out of your area is asked, refer the question to the U.S. Embassy press office or the Ambassador.

Some talking points you might consider are:

Purpose of visit

-- I have visited every other country in the region during my one and half year tenure as SOUTHCOM Commander. This is my first visit to Paraguay allowing me to meet key civilian and military leaders of a valued friend.

Immunities for troops

-- Our troops are expected to abide by local and U.S. law. Any who don't are held to account. The status of our troops approved by the Paraguayan Congress is typical of those that would be granted to troops doing similar training in other countries.

-- The Ambassador can provide more details about the bilateral discussions and arrangements here in Paraguay.

International Criminal Court/Treaty of Rome

-- I would refer you to the Ambassador on this issue.

Rumors of a base

-- Reports of the basing of U.S. troops are without any basis in fact.

-- The truth is that small numbers of U.S. personnel, generally 10-20 persons, train with their Paraguayan military colleagues during periods of two to six weeks. No U.S. troops are deployed in Paraguay for extended periods of time.

-- The exercises include humanitarian medical assistance to thousands of needy campesinos and others in the interior.

-- The exercises will continue through the end of 2006. The official status for these troops, for the sake of efficiency, was requested for the trainings and medical exercises over the entire 18-month time period.

-- None of the training lasts more than 45 days.

Brazilian/Argentine Objections to U.S.-Paraguay Military Cooperation

-- The U.S. seeks to deepen military cooperation with all of its partners in the region.

-- All of the States in this region enjoy a shared interest in combating the threats posed by international terrorism and transnational crime.

-- Cooperation is the only way to meet the challenges posed by these problems.

Guarani aquifer (rumors that the U.S. wants to steal

Paraguay's supply of fresh water)

-- I have heard of these rumors and they are without basis in fact.

-- The U.S. has access to adequate water supplies.

International Crime and Counter-terrorism

-- As clearly outlined in the U.S. report on global terrorism, we believe the activities in the Tri-Border Area are basically fundraising and financing, not operational, in

nature.

-- We rely on the authorities in the countries involved to provide the legal structure to allow the investigation, arrest, and prosecution of persons involved in such activities.

-- We are pleased by Paraguay's active cooperation in the fight against terrorism. It has taken important steps to counter this grave problem and was instrumental in helping strengthen regional cooperation with the U.S. (through the "3 plus 1" mechanism).

But where is your proof that Paraguay funds terrorists?

-- -- We never said that "Paraguay" funds terrorists, but rather individuals in Paraguay (specifically in the Tri-Border Area) fund organizations engaged in terrorist activities. Individuals and institutions throughout the world, including the U.S., have also funded terrorism. Paraguay and the TBA are not being singled out.

-- President Duarte mentioned the threat from terrorist financing in his 2005 annual message to Congress

-- Illicit activity, particularly along the tri-Border, fosters corruption, discourages investment, inhibits economic development, and creates a milieu favorable to money launderers and terrorist financiers.

-- In recent years, Paraguay has convicted individuals for tax evasion who have also been implicated in laundering money to terrorist groups.

-- It is vital Paraguay continue to prosecute and convict those implicated in illicit activity, including money laundering and terrorist financing.

Anti-drug effort

-- Paraguay is making an important effort against drug trafficking, despite limited resources. We applaud historic achievements including the arrest and extradition of Mendes Mesquita who had ties to the FARC.

-- We are confident there will be continued good performance in this area, which will benefit the Paraguayan people, as well as the region at large.

What will SOUTHCOM be providing Paraguay to meet its security challenges? Can you give us radars and helicopters?

-- In 2005, the U.S. provided Paraguay with USD 600,000 in funds to assist Paraguay in combating narcotics trafficking, money laundering, trafficking in persons, and intellectual property rights piracy.

-- Those funds support training for judges, prosecutors, and police, purchase of equipment, and conduct of operations.

-- Since 1987, the U.S. has donated over USD 64 million to assist Paraguay's law enforcement efforts.

What will SOUTHCOM do to help Paraguay deal with the threat posed by the FARC? Is Paraguay facing an incipient insurgency?

-- Evidence of FARC ties to the Cubas kidnapping is very disturbing. The FARC has demonstrated its readiness to commit any number of atrocities, including kidnappings and other forms of terrorism, to advance its objectives.

-- Recent developments suggest the existence of an organized political movement bent on provoking political instability through acts of violence.

-- The U.S. recognizes Paraguay's commitment to address this problem. We are exploring ways we can support Paraguay, particularly in the law enforcement field, with appropriate training.

-- In May 2005, the Vice President traveled to the U.S. to discuss ways to expand U.S.-Paraguayan cooperation. That visit produced agreement to create a Trade Transparency Module in the Customs Department, provide anti-kidnapping training, and conduct a workshop sponsored by the Center for Hemispheric Defense Studies (CHDS).

MLEs:

Is there an MLE in Paraguay?

No, there is no MLE operating in Paraguay.

Has there been an MLE in Paraguay?

Yes, there was an MLE here in the past.

Only, if raised:

What can you tell me about the incident in Paraguay that was reported in the NYT?

I am not at liberty to discuss the particulars of any specific incident. I will note that the NYT article got important aspects of the story wrong.

Only if raised:

What do the MLE's do exactly?

(Use existing Public Affairs guidance) There is no MLE operating in Paraguay. MLE's are individuals who deploy in support of geographic commanders in select countries with the U.S. Ambassador's knowledge and support. They plan and coordinate activities that support U.S. objectives. MLE's play a key role in enhancing military, interagency and host nation coordination in support of the U.S. security cooperation plan.

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